



Confederation of Finnish Industries EK Position Paper

Taxation of the Digital Economy needs global solutions – not a Digital Services Tax in the EU

Unilateral solution within the EU would be harmful for the Single Market

- On 21 March 2018, the European Commission proposed new rules to the taxation of the digital economy in the form of two proposals for Council directives.
- The EC proposed a separate Digital Services Tax as an interim solution. It would be a 3 per cent tax rate for revenues created from certain digital activities where users play a major role in value creation.
- The long-term solution would be a reform to the corporate tax rules including a new concept of 'digital permanent establishment'. The new rules will also change how profits are allocated to the Member States.
- These unilateral solutions within the EU would be harmful for European companies and the European Single Market as a whole. New innovations would be created outside the EU from now on.
- The EU should be removing any barriers of the Digital Single Market, not to build more of them.

All business activities are becoming digital

- According to the EC proposals, the digital business activities should be separated from the traditional business activities.
- Nowadays, it is impossible to distinguish 'digital economy'. Even companies carrying more traditional business activities are using several different types of digital solutions in their business.
- Also e-commerce is quickly replacing traditional export sales.
- If there exist a will to tax consumption to an increasing extent, changes could be made to the value added taxation rules.

Does data create value?

As social networks and customers are participating to business development, one may argue that the customers will be participating in value creation of the company.

However, this should be seen merely as feedback and increasing need for communality than active participation in the business activities. Value is created when the data is processed.



Any proposals for digital taxation should be agreed on global level

- **Any changes to the taxation of the digital economy should be build on the current international framework and tax treaties through the OECD.**
- **The EU should not create any internal rules for taxation of the digital economy in isolation from the rest of the world. It would be harmful for the European Single Market.**
- **Many companies resident in the EU Member States have significant digital business outside of the EU. Therefore, the proposed rules would shift taxing rights away from the Member States.**

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